

**SPANISH MOUNTAIN GOLD LTD.**

**Management Discussion & Analysis**

**For the Period Ended September 30, 2018**

Dated: November 29, 2018

**Spanish Mountain Gold Ltd.**  
**MD&A for the nine months ended September 30, 2018**

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The following is management's discussion and analysis ("MD&A") of the financial condition and results of operations of Spanish Mountain Gold Ltd. (the "Company"). This MD&A should be read in conjunction with the audited consolidated financial statements, including the notes thereto, of the Company for the years ended December 31, 2017 and 2016 as well as the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018 and 2017 ("Financial Statements")

The accompanying Financial Statements and related notes are presented in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These Financial Statements, together with the following MD&A dated November 29, 2018 ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as potential future performance. Please refer to the cautionary notices at the end of this MD&A, especially in regard to forward looking statements. All dollar amounts are in Canadian dollars unless otherwise noted.

Additional information relating to the Company including its Financial Statements may be found on the Company's website at [www.spanishmountaingold.com](http://www.spanishmountaingold.com) as well as under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

These MD&A were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2018. The information contained within this MD&A is current to the same date.

**OVERVIEW**

The Company's September 30, 2018 Financial Statements reflect the financial position and results for the period then ended including those for its wholly-owned subsidiary, Wildrose Resources Ltd. ("Wildrose"). All material inter-company transactions have been eliminated.

The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. The Company's primary asset is the Spanish Mountain property located approximately 180 kilometres (km) north of Kamloops, British Columbia. The Spanish Mountain property refers to the contiguous mineral and placer claims the Company holds while the Spanish Mountain gold project (the "Project") refers to the mineral resource that the Company has defined in an area within the property. On April 10, 2017 the Company announced the results of a Preliminary Economic Assessment ("PEA") for the higher-grade, near-surface section (the "First Zone") of the Project's identified resource. The PEA supports a scenario under which only the pit-delineated Measured & Indicated resource of the First Zone is mined as a stand-alone operation over 24 years. The resource estimate for the Project was also updated in conjunction with the PEA.

On September 13 2018, the Company provided an update on the first phase of its field programs, which were previously announced in June 2018, as follows:

- Archeological Impact Assessment: The objective of the current year's program is to assess the entire project area where future mining infrastructure has been proposed under the 2017 Preliminary Economic Assessment. With the completion of the field work and studies, the Company is awaiting the reports by the archaeological experts.
- Confirmatory Metallurgical Test Work: The summer program has obtained fresh sample material totaling approximately 4 tonnes for a metallurgical testwork program that will provide confirmation of predicted results as well as the detailed information required for the design and costing of the process plant. The samples have been shipped to an independent laboratory where testwork will be performed under the direction of independent metallurgical consultants.
- Exploration Drill Program - Phoenix Zone: The Company drilled three shallow holes with wide spacing along the one-kilometre corridor between the Phoenix Zone and the additional gold-bearing area to the

north acquired by the Company in 2012 in order to test the potential continuity of mineralization through this corridor.

The Company also completed a strategic infill drilling program within First Zone in October 2018. The objective of the program is to increase the total number of gold ounces captured in a future mine plan by upgrading Inferred resources to the Measured & Indicated categories. Assay results will be announced as soon as they are received from the assay laboratory and compiled by the Company's geologists.

These activities will build on the results reported in the latest PEA completed in 2017 and are expected to provide additional data to support the quality of the Project's multi-million ounce gold resource.

## **MINERAL ASSET**

### **Spanish Mountain Gold Project, B.C.**

The Spanish Mountain property is located in the Cariboo region of central British Columbia, 6 km east of the village of Likely, and 66 km northeast of the City of Williams Lake. The property, which comprises approximately 45 contiguous mineral claims and 6 placer claims and covers an area of approximately 7,700 hectares (or 30 square miles), is 100% owned by the Company.

The property can be reached from Williams Lake via a paved secondary road that leaves Highway 97 at 150 Mile House, approximately 16 km south of Williams Lake, and continues for 87 km to the village of Likely. From Likely, the property is accessed from the Spanish Mountain Forest Service Road 1300.

The Company has been actively drilling on the property since 2005. The Spanish Mountain gold deposit is a bulk-tonnage, gold system of finely disseminated gold. The largest zone carrying significant gold mineralization is called the Main Zone, which has been traced by drilling over a length of approximately 900 metres (m) north-south and a width of 800 metres. The mineralization of the Main Zone extends northward covering another area of about 400m north-south with a similar width.

Gold mineralization occurs predominately as disseminated within the black, graphitic argillite. Gold grain size is typically less than 30 microns, and is often, but not always, associated with pyrite. Gold mineralization also occurs within quartz veins as free, fine to coarse (visible) gold. Although the highest grades have come from coarse gold within quartz veins, disseminated gold within the argillite units is the most economically important type of mineralization. The area of gold enrichment has been traced for over 2 km, occurring in multiple stratigraphic horizons.

The Spanish Mountain gold deposit is classified as sediment-hosted vein ("SHV") deposit, as it has many of the features common to these deposits, including some of the structural characteristics, regional extent of alteration, alteration mineralogy, mineralization style and gold grade.

The following highlights the key recent developments in respect of the Spanish Mountain gold project which is located in the northern part of the property area:

#### **1. Metallurgy**

Under the direction of Dr. Morris Beattie, extensive metallurgical test work has been completed through a series of work programs. The resource is amenable to conventional milling process resulting in an overall gold recovery of 90%. A recent metallurgical study concluded the flowsheet previously used for the 2012 PEA can be streamlined with the elimination of gravity and pre-float recovery steps without reducing the overall gold recovery. The streamlined flowsheet led to savings in capital and operating costs and had been incorporated in the 2017 PEA. Confirmatory testwork is currently underway to demonstrate a high level of confidence in the overall recovery and usage of consumables.

**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**2. Resource Estimate**

On April 10, 2017, the Company released an updated resource estimate along with the results of a new PEA. The PEA established an economic cut-off of 0.15 g/t gold based on assumptions of operating costs for a potential open pit operation. The following table presents the updated resource at various categories at the economic cut-off grade of gold.

Spanish Mountain Updated Resource Estimate (at a 0.15 g/t gold cut-off) Effective April 2017

<b>Classification</b>	<b>Tonnes</b>	<b>Gold grade (g/t)</b>	<b>Silver grade (g/t)</b>	<b>Gold (ounces)</b>	<b>Silver (ounces)</b>
Measured	45,730,000	0.53	0.66	770,000	970,000
Indicated	260,800,000	0.37	0.67	3,110,000	4,450,000
<b>Measured plus Indicated</b>	<b>306,530,000</b>	<b>0.39</b>	<b>0.64</b>	<b>3,880,000</b>	<b>6,280,000</b>
<b>Inferred</b>	<b>450,640,000</b>	<b>0.28</b>	<b>0.61</b>	<b>4,110,000</b>	<b>8,900,000</b>

Tonnages and contained ounces presented above may not total as shown due to rounding. Readers are cautioned that mineral resources, which are not mineral reserves, do not have demonstrated economic viability.

Independent resource estimate consultant Gary Giroux MASc, P.Eng. (BC) of Giroux Consultants Ltd. has authorized the release of this estimate. Mr. Giroux is a qualified person by virtue of education, experience and membership in a professional association. He is independent of both the Company and ALS Chemex, the assay laboratory, applying all of the tests pursuant to section 1.5 of NI 43-101.

**3. Preliminary Economic Assessment**

The completion of a positive PEA for the pit-delineated high grade core (the "First Zone") of the Spanish Mountain gold project was announced by the Company on April 10, 2017. The PEA was prepared by Moose Mountain Technical Services (MMTS) under the direction of Marc Schulte, P. Eng., a Qualified Person (as defined under National Instrument 43-101) who is independent of the Company. The NI 43-101 Technical Report was filed on SEDAR on May 17, 2017.

The results of the PEA demonstrate the potential technical and economic viability of establishing a new gold mine and mill complex on the project site.

**(a) Proposed Operations**

The PEA is based on an open pit mine with a conventional truck and shovel operation that provides mill-feed at 20,000 tpd for a mine life of 24 years. It is expected that mill-feed will be sourced from stockpile from years 12 through 24. The process plant is conventional in design and includes primary grinding, flotation, regrinding of the concentrate, and cyanidation via a CIL circuit to produce doré.

At an assumed life of mine ("LOM") gold price of US\$1,250 per ounce (the base case), the First Zone generates a pre-tax NPV (@5%) of C\$597M and a post-tax net present value ("NPV") of C\$482M. Pre-tax and post-tax Internal Rates of Return ("IRR") are 21% and 19%, respectively. Payback of capital is expected to be less than four years.

**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**4. Preliminary Economic Assessment** (continued)

**(a) Proposed Operations**

Selected operational and cost metrics for Years 1 - 5; Years 1 - 10 and LOM are as follows:

	Units	Years 1 - 5 Avg.	Years 1 - 10 Avg.	LOM
Gold grade	g/t	0.77	0.69	0.43
Strip Ratio		0.96	1.55	1.44
Annual Gold Production	koz	157	142	92
Cash Cost/ oz	US\$	469	555	595
All-in-sustainable Cash Cost	US\$	533	619	659
Total Cost/ oz	US\$	667	752	792

**(b) Comparison to 2012 PEA**

Compared to the 2011 PEA, the new PEA demonstrates significant improvements to the Project's economics as a result of the Two-Zone approach which focuses on a lower throughput, smaller footprint and small impact operation. Some of the key improvements are as follows:

- Compared with the previously (2012) estimated NPV (@5%) for the entire resource, the PEA has achieved an NPV for the First Zone alone that is up to 63% higher even at a gold price that is US\$210 lower than assumed for the 2012 PEA
- Post-tax IRR has increased from 12% to 19%
- Initial capital has decreased by up to C\$257M (or 33%) from C\$764M to C\$507M
- LOM All-in-sustainable Cash Cost per ounce has decreased from US\$834 to US\$659
- Project life for the First Zone extends to 24 years vs. 14 years for the entire resource in the 2012 PEA

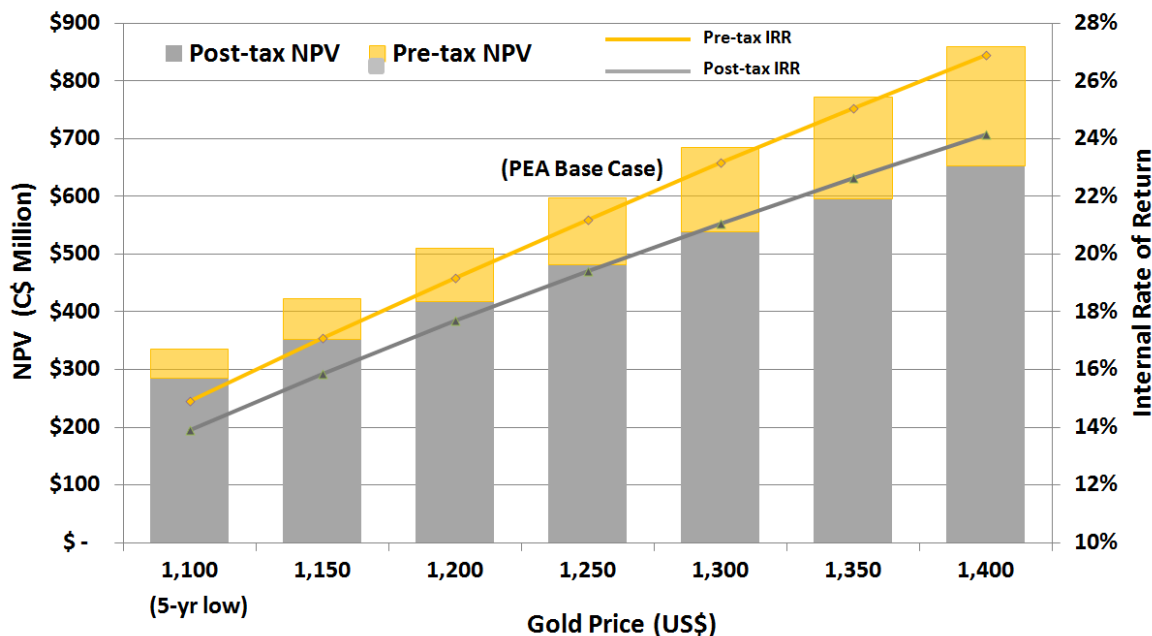
	Units	2012 PEA- 100% Resource	First Zone (Standalone Operations)	Change
Assumed LOM Gold Price per ounce	US\$	\$1,462	\$1,250	- \$212
Post-tax NPV@5%	C\$million	\$295	\$482	+ \$187
Post-tax Internal Rate of Return (IRR)		12%	19%	+ 7%
Payback Period	Years	4.4	3.7	- 0.65
LOM Cumulative Free Cashflow including Initial Capex (undiscounted)	C\$million	\$704	\$963	+ \$259
Initial Capital	C\$million	\$764	\$507	- \$257
LOM Production	koz	2,799	2,210	- 589
Mine Life	Years	14	24	+ 10
LOM Strip Ratio		2.3	1.4	- 0.86
LOM Cash Cost per Ounce	US\$	\$774	\$595	- \$179
LOM AISC per Ounce	US\$	\$834	\$659	- \$175

MINERAL ASSET (continued)

Spanish Mountain Gold Project, B.C. (continued)

4. Preliminary Economic Assessment (continued)

(c) Sensitivity of the First Zone's Economics to Gold Price:



(d) Initial Capital Cost

- The estimated development capital is based on data from the fourth quarter of 2016 and includes a contingency of C\$51 million.
- The initial capital cost estimate is summarized as follows:

Direct Costs	Initial Capital Cost (C\$ Million)
Overall Site	16.6
Open Pit Mining	97.3
Processing Plant (including Ore Handling)	140.0
Tailing Management Facility & Water Management	56.8
Environmental	12.0
On-Site Infrastructure	28.6
Off-Site Infrastructure	14.3
<b>Sub-Total</b>	<b>C\$365.6</b>
<b>Indirect Costs</b>	
Project Indirects	84.6
Owner's Costs	5.8
Contingencies	51.1
<b>Sub-Total</b>	<b>C\$141.5</b>
<b>Total Initial Capital Cost</b>	<b>C\$507.1</b>

- The life-of-mine sustaining capital is estimated at C\$ 193.5 million.

**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**4. Preliminary Economic Assessment** (continued)

**(e) Operating Costs**

Operating costs were estimated for each area of the project and life-of-mine average costs are summarized as follows:

<b>Operating Costs</b>	<b>C\$/tonne milled</b>
Mining	4.79
Process	4.01
Tailings	0.05
G&A and Offsite costs (incl. royalty)	1.09
<b>Total</b>	<b>9.94</b>

*The Company cautions, in accordance with NI 43-101 -- Standards of Disclosure for Mineral Projects as adopted by the Canadian Securities Regulators, that the PEA referred to herein is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

**(f) Qualified Persons**

The independent PEA was completed by Moose Mountain Technical Services and was prepared under the supervision of the following independent consultants:

<b>Qualified Person</b>	<b>Company</b>	<b>Areas of Responsibility</b>
Bill Gilmour, P.Geo.	Discovery Consultants	Geology and Exploration
Gary Giroux, P.Eng.	Giroux Consultants Ltd.	Mineral Resource Estimating
Marc Schulte P.Eng.	MMTS	Lead Consultant, Mine Plan, and Capital
Tracey Meintjes, P.Eng.	MMTS	Metallurgy and Processing
Les Galbraith, P.Eng.	Knight Piésold Ltd.	Tailing, Water Management, Environmental, and Permitting

**5. Current Activities**

During the year, the Company completed a number of field programs as follows:

- Archeological Impact Assessment
- Confirmatory Metallurgical Testwork
- Exploration Drilling at the Phoenix Zone
- Strategic Drilling at the First Zone

The objective for each program has been highlighted in the section above. As soon as the results are returned from the assay laboratory or consultants, they will be compiled and announced.

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**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**6. The Second Zone**

While the development of the balance of the geologic resource referred to as the "Second Zone" has not been incorporated into the PEA, it has the potential to benefit significantly from the infrastructure, equipment and labour put in place as a result of the development of the First Zone.

The Second Zone comprises multi-million ounces of gold contained within the current geologic resource estimate, primarily as Inferred Resources, and surrounds the pit that has been delineated for the PEA. The Company believes that the Second Zone, while not included in the PEA, could deliver additional value over time by expanding or extending the Project's overall production profile. There is no assurance that all or any part of an Inferred Resource will ever be upgraded to a higher category.

**AGREEMENTS WITH FIRST NATIONS**

The Company executed Protocol Agreements with the Williams Lake Indian Band in March 2011 and the Soda Creek Indian Band (Xat'sull First Nation) in March 2012; and a Cooperation Agreement with Lhtako Dene Nation in September 2012. These agreements address issues in relation to the development of the Spanish Mountain gold project.

Under the agreements, the Company recognizes and respects the First Nations groups' asserted aboriginal rights and title in the area of the Spanish Mountain gold project and the First Nation groups recognize and respect the Company's rights and interests in the exploration and development of the Company's properties. They also reflect commitments by the parties for continued engagement in a respectful and collaborative manner.

The agreements provide capacity support to the First Nations groups for their ongoing involvement in the project as well as training, employment, and business opportunities. Additionally, the parties have committed to negotiating a more detailed agreement regarding the impacts and benefits associated with the construction, operation and reclamation of a large scale mine development.

**ENVIRONMENTAL ASSESSMENT AND PERMITTING PROCESS**

On August 4, 2011, the Company announced that the Project Description for the Spanish Mountain gold project had been accepted by both the British Columbia Environmental Assessment Office and the Canadian Environmental Assessment Agency. The Project Description describes the technical, economic, social, environmental, heritage and health components of the construction and operation of the proposed gold mine on the Spanish Mountain property. The acceptance of the Project Description means that the project has now entered the 'Pre-Application' phase of the Environmental Assessment and Permitting process. As part of the process, public meetings will be scheduled although the Company has already held initial public meetings in the communities of Likely, Big Lake and Williams Lake and has held several meetings with both the Williams Lake Indian Band and Soda Creek Indian Band. As described above, the Company has separately signed a protocol agreement with each Indian band.

For further details on the Environmental Assessment and Permitting processes, please refer to the websites listed below:

	<b>URL</b>
British Columbia Environmental Assessment Office	<a href="http://www.eao.gov.bc.ca">www.eao.gov.bc.ca</a>
Canadian Environmental Assessment Agency	<a href="http://www.ceaa.gc.ca">www.ceaa.gc.ca</a>
Government of Canada Major Projects Management Office	<a href="http://www.mpmo-bggp.gc.ca">www.mpmo-bggp.gc.ca</a>



**RESULTS OF OPERATIONS**

**1. Summary of Quarterly Results**

The selected quarterly consolidated information set out below has been derived from and should be read in conjunction with the previous eight quarterly consolidated Financial Statements for each respective financial period.

	<b>Revenue</b> <b>\$</b>	<b>G&amp;A Expenses</b> <b>\$</b>	<b>Net Income (Loss)</b> <b>\$</b>	<b>Income (Loss)</b> <b>per share \$</b>
September 30, 2018	Nil	(237,081)	\$(99,099)	(0.00)
June 30, 2018	Nil	(177,773)	(82,350)	(0.00)
March 31, 2018	Nil	(204,356)	(103,667)	(0.00)
December 31, 2017	Nil	(197,264)	(371,335)	(0.00)
September 30, 2017	Nil	(174,992)	(1,055,301)	(0.00)
June 30, 2017	Nil	(213,140)	(191,759)	(0.00)
March 31, 2017	Nil	(253,210)	(218,758)	(0.00)
December 31, 2016	Nil	(261,790)	(220,712)	(0.00)

In accordance with IFRS, general and administrative (“G&A”) items are charged to the period’s income as they are incurred. Several factors tend to cause variation in quarterly results. Seasonal weather conditions affect the Company’s operations at its exploration camp. Typically its field program commences in spring or summer and is completed during the fourth quarter of the year. As a result, items such as impairment can only be reasonably determined after the program is completed. Additionally, certain tax items such as the BC METC tend to be processed and recognized during the third quarter of the year resulting in potential adjustments to the corporate tax provision for the period. Expenditures on mineral properties are capitalized and form part of the carrying values of the underlying assets in accordance with the Company’s accounting policy.

**2. Three months ended September 30, 2018 compared to three months ended September 30, 2017**

G&A expenses are costs associated with the Company’s corporate head office and other expenditures that are not directly attributable to the Company’s exploration projects. For the three months ended September 30, 2018, G&A expenses totaled \$237,081 (2017 - \$174,992), an increase of \$62,089 compared with same period in the previous year. Expenses for salaries and wages increased by \$15,183 (2018 – \$95,469 vs. 2017 - \$80,286) primarily due to an accounting adjustment of approximately \$11,000 to accrual for vacation pay. Compared to the same period in the prior year, discretionary expenses related to Investor relations activities increased by \$25,214 (2018 – \$48,002 vs. 2017 - \$22,788). The Company’s marketing activities are currently limited and largely determined by needs and available resources from time to time. An increase of \$24,628 in share based payment compensation (“SBC”) (2018 – \$69,951 vs. 2017 - \$45,323) was recorded during the current period. On July 3, 2018 the Company granted incentive stock options to certain employees and directors of the Company to acquire up to 2,550,000 common shares of the Company at an exercise price of \$0.10. The Company recognized \$69,951 in SBC expense in accordance with the vesting schedule of these options. SBC is recorded to recognize the vesting of stock options granted to certain directors, employees and consultants in July 2018. SBC is a non-cash expenditure and recognizes the fair values of granted options vested during the periods using the Black-Scholes valuation model. The fair values of options are influenced by such parameters as stock price volatility and current interest rates which are incorporated into the valuation model.

For the three months ended September 30, 2018, the Company recorded deferred income tax recovery of \$126,882, compared with an expense of \$892,775, an increased expense of \$1,019,657 over the same period in the prior year. The current period’s provision is impacted by a recovery of \$88,479 for flow-through premium related to issuance of flow-through shares in 2017. In addition, the 2017 provision includes a non-recurring expense adjustment of \$951,829 related to the processing of certain carryforward tax balances by the tax authorities in connection with the BCMETC refund of \$3.9 million received in third quarter of 2016.

**RESULTS OF OPERATIONS** (continued)

**2. Three months ended September 30, 2018 compared to three months ended September 30, 2017** (continued)

Deferred income tax expenses or recoveries are non-cash provisions and are recognized to reflect timing differences between accounting and actual tax positions during the period. Tax recoveries are recorded to primarily recognize taxable losses incurred during the period reflecting the potential benefits of offsetting future taxable income.

For the quarter ended September 30, 2018 the Company incurred gross expenditures on its mineral properties, before recoverable tax credits and impairment loss, of \$933,258 (2017 - \$135,147) reflecting the activities related to the summer field programs. During the period, the most significant expenditures were drilling (\$341,903), wages (\$147,843), archeological survey (\$172,237) and consulting fees (\$129,205). Mineral property expenditures are capitalized in accordance with the Company's accounting policies.

**3. Nine months ended September 30, 2018 compared to nine months Ended September 30, 2017**

G&A expenses for the nine months ended September 30, 2018 decreased modestly by \$22,131 (2018 - \$619,211 vs. 2017 - \$641,342) over the same period in the prior year. The decrease in SBC of \$105,568 (2018 - \$87,994 vs. 2017 - \$193,562) related to changes in stock options vesting during the current period is offset by an increase of \$77,610 (2018 - \$157,310 vs. 2017 - \$79,700) for discretionary investor relations activities.

For the nine months ended September 30, 2018, the Company recorded a deferred income tax recovery of \$301,325 compared to an expense of \$851,338 (an increase of \$1,152,663) for the same period in the prior year. The provision for the current period is impacted by an additional \$153,848 tax recovery of flow-through premium related to issuance of flow-through shares in December 2017. As discussed above, the provision for 2017 includes an expense adjustment of \$951,829 related to the processing of certain carry forward tax balances.

During the nine months ended September 30, 2018 the Company incurred expenditures of \$1,167,507 on its mineral properties compared with \$454,021 during the same period in 2017, an increase of \$713,486. As stated above, the increased spending is attributable to field activities conducted during the current quarter. During the period ended, the most significant expenditures were drilling (\$357,562), wages (\$218,762), archeological survey (\$172,237) and consulting fees of (\$221,376). Additionally, \$67,698 was expended for utilities and ongoing maintenance of the Company's exploration camp located near Likely, BC.

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2018, the Company has a working capital of \$1,744,925 (December 31, 2017 - \$3,183,420) which includes \$2,067,633 (December 31, 2017 - \$3,207,860) in cash, cash equivalents and short-term investments. The current cash balance is expected to be sufficient to fund the Company's operating and project expenditures for the foreseeable future.

Currently, the Company's budgeted non-project monthly expenditures are approximately \$60,000 and primarily comprise of payroll costs for current level of staff and other G&A costs for its head office. The Company's expenditures on its mineral properties, which are capitalized in accordance with its accounting policy, typically represent the most significant use of its capital resources.

On December 14, 2017, the Company completed a private placement with an institutional investor and issued 3,846,200 flow-through common shares for \$0.13 each raising gross proceeds of \$500,006. Cash share issue costs in the amount of \$44,565 were incurred. The gross proceeds are required and will be spent on qualified exploration expenditures on the Company's Spanish Mountain gold project by December 31, 2018. These expenditures constitute "Canadian exploration expenses" and "flow through mining expenditures" (as defined in the Tax Act) which have been renounced to the investor for the 2017 taxation year. As of September 30, 2018 the

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

Company has fulfilled its obligations to incur qualified expenditures in connection with this issuance of flow-through shares.

On September 29, 2017, the Company completed a private placement of 9,615,384 Units at a price of \$0.13 per Unit, for total gross proceeds of \$1,250,000. Each Unit consists of one common share of the Company and one common share purchase warrant, which entitles its holder to purchase one common share at a price of \$0.20 per share for a period of two years. Cash share issue costs in the amount of \$30,708 were incurred. The proceeds from this as well as the above private placement are expected to be used to advance the Company's Spanish Mountain gold project.

The Company is at an exploration/development stage and has no revenue from its business operations. The Company's ability to meet its future obligations and maintain operations for the foreseeable future is contingent upon successful completion of additional financing arrangements. Although the Company has been successful in raising funds in the equity markets, there is no assurance that additional funding will be available in the future at reasonable terms. The Company also evaluates other financing opportunities that become available from time to time. As a prudent business practice for a non-revenue generating enterprise, management carefully monitors its cash resources and is exploring available options to address any potential shortfall.

Changes to the Company's cash flow activities are summarized as follows:

	<b>Increase (Decrease) in Cash and Cash Equivalents for the nine months ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Operating Activities	\$(503,298)	\$(606,775)
Financing Activities	\$20,000	\$1,253,175
Investing Activities	\$(769,357)	\$657,295
Total Increase (Decrease) in Cash	\$(1,252,655)	\$1,303,695
Cash and Cash Equivalents, Beginning of the Period	\$1,707,860	\$1,296,824
Cash and Cash Equivalents, End of the Period	\$455,205	\$2,600,519

Cash used in operating activities are primarily comprised of G&A expenditures as the Company is at an exploration/ project development stage and has no source of revenue. During the period ended September 30, 2018 G&A expenditures were comparable to that for the same period in the prior year. The decrease of \$103,477 (2018 - \$503,298 vs. 2017 - \$606,775) in cash used for operating activities is primarily attributable to normal changes to outstanding accounts payable and prepaid expenses. The Company continues to practice prudent cash management and preserve cash, which includes negotiating savings and deferring payments to the maximum extent possible.

The increase in cash from financing activities during the period in prior year is primarily due to the closing of a private placement in September 2017.

During the period ended September 30, 2018, cash used for investing activities increased by \$1,426,652 compared to the same period in the prior year. The Company expended \$656,929 on mineral properties as opposed to \$426,497 in the prior year. During the period in 2017, \$1,000,000 was moved from the short-term investment account to the cash account due to normal reinvestment activities from time to time.

**TRANSACTIONS WITH RELATED PARTIES**

Compensation of key management personnel for the period ended September 30, 2018 decreased by \$59,734 to \$364,654, compared with \$424,388 over the same period in 2017. The decrease is primarily due to a \$103,558

**TRANSACTIONS WITH RELATED PARTIES** (continued)

reduction of SBC in the current period (2018 - \$80,851 vs 2017 - \$184,409) related to the changes in vesting of stock options granted. Share-based payments are non-cash expenditures. The reduction in SBC was offset by an increase of \$43,936 in consulting fees (2018 - \$100,159 vs 2017 \$56,223) as project activities increased during the current period.

At September 30, 2018 accounts payable and accrued liabilities owed to related parties totaled \$73,587 (December 31, 2017 - \$47,075).

Certain executive officers are entitled to termination benefits equivalent to two years' gross salary totaling approximately \$480,000 in the event of a change of control in the Company's ownership. No termination benefits were paid to any key management personnel during the periods ended September 30, 2018 and 2017.

All related party transactions were recorded at the amounts agreed upon between the parties. Any balances payable are payable on demand without interest.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

**The Company has classified its financial instruments as follows:**

- Cash, cash equivalents and short term investments as fair value through profit or loss ("FVTPL");
- Rent deposit and deposits for reclamation, as loans and receivables; and
- Accounts payable, accrued liabilities and returnable security deposits as other financial liabilities.

The carrying values of accounts payable, accrued liabilities and returnable security deposits approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held earn interest at market rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**(a) Credit risk**

Credit risk refers to the potential that counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash, cash equivalents and short term investments. The Company manages credit risk, in respect of cash, cash equivalents and short term investments by holding these at a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash, cash equivalents and short term investments as all amounts are held at a single major Canadian financial institution.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At September 30, 2018, the Company had cash and cash equivalents in the amount of \$455,205, short term investments of \$1,612,428 and accounts payable and accrued liabilities of \$569,072. Accounts payable and accrued liabilities have contractual maturities of 90 days or less.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate, foreign currency risk, and other price risk as follows:

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**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS** (continued)

**(c) Market risk** (continued)

i. Interest rate risk

The Company's cash, cash equivalents and short term investments are held in bank accounts earning interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2018.

ii. Foreign currency risk

The Company's operations are located in Canada with substantially all transactions denominated in Canadian dollars and, accordingly, the Company is not exposed to significant foreign currency risk.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk with respect to its financial instrument as their fair values and future cash flows are not impacted by fluctuations in market prices.

**OUTSTANDING SHARE DATA**

The Company had the following common shares, stock options and warrants outstanding at September 30, 2018 and the Report Date:

	<b>At September 30, 2018 and Report Date</b>
<b>Common shares</b>	232,375,957
<b>Stock options</b>	6,400,000
<b>Warrants</b>	25,482,051
<b>Fully Diluted shares outstanding</b>	<b>264,258,008</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**PROPOSED TRANSACTIONS**

At the Report Date, the Company does not have any proposed material transactions. All material transactions including those completed subsequent to the financial statement date are fully disclosed in the Financial Statements for the period ended September 30, 2018.

**COMMITMENTS**

In February 2017 the Company signed an Extension Agreement to renew the lease of its office premises. The new agreement commences June 1, 2017 and expires May 31, 2022. The total lease payment pursuant to the agreement is \$730,678 (including estimated operating expenses of \$342,622). Concurrently, the Company renewed an agreement to sublease a portion of its office premises to a third party sub-tenant. The agreement commences June 1, 2017 and expires May 31, 2020. The rental recovery is expected to be \$272,902 (including

**COMMITMENTS** (continued)

estimated operating expenses of \$139,531). Pursuant to the sublease agreement, the sub-tenant may elect to extend the agreement for another 24 months with an option to terminate by providing a three-month notice to the Company. Assuming the sub-tenant exercises the option to extend the lease, the rental recovery during the extension period is expected to be \$211,573 (including estimated operating expenses of \$93,021).

Under the terms of the offering of the flow-through funds raised from a non-brokered private placement completed in December 2017 the company has an obligation to incur \$500,006 on qualified "Canadian exploration expenditures" (as defined in the Income Tax Act) on its Project by December 31, 2018. As of September 30, 2018 the Company has fulfilled its obligations to incur qualified expenditures in connection with this issuance of flow-through shares.

**COMMITMENTS RELATED TO MINERAL PROPERTIES ARE AS FOLLOWS:**

**Spanish Mountain Property, British Columbia**

Pursuant to the purchase agreement, certain mineral claims comprising the Spanish Mountain property are subject to various net smelter returns ("NSR") at 2.5%. The Company may, at its option, reduce the NSR to 1% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of \$1,000,000 to the vendors.

On June 15, 2010, the Company acquired a 100% undivided interest in the Cedar Creek property, which is contiguous to the Spanish Mountain property. The wholly-owned property is subject to a 2.5% NSR in favour of a third party. The NSR may be purchased by the Company for \$500,000 per 1% NSR. On May 23, 2011 the Company acquired two additional mineral claims that are adjacent to the Cedar Creek Property for \$110,000 cash. The claims are subject to a 3% NSR, 2.5% of which may be purchased for \$1,000,000.

On August 21, 2012, the Company completed the acquisition of an additional group of mineral claims for considerations of \$500,000 in cash and 2,000,000 common shares of the Company. The property is subject to an underlying 4% NSR. The Company has the option to reduce the net NSR to 2% by paying a onetime cash payment of \$2,000,000 to the royalty holders.

**NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

All of the new and revised standards described below may be applicable to the Company and may be early-adopted. Only those which may have a significant impact on the Company are discussed below. The Company is currently assessing the impact, if any, prior to adopting these standards for subsequent fiscal years.

***IFRS 16 Leases***

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

This is applicable to the Company's annual period beginning on January 1, 2019.

**SUBSEQUENT EVENTS**

There are no reportable events occurring subsequent to the period ended September 30, 2018.

### **OTHER REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news releases, and other information can be obtained under the Company's profile at the following website: [www.sedar.com](http://www.sedar.com).

### **RISKS AND UNCERTAINTIES**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish ore reserves.

The property interests owned by the Company, or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously held an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. During August 2014, there was a breach of the tailings dam of a copper/ gold mine, owned by a third party, located near Likely, B.C. resulting in significant environmental damages in the area. Although the Company's operations have not been directly affected by the incident, long-term impacts, if any, on the regulatory or permitting process in connection with the Company's project cannot be determined at this time.

### **CAUTIONARY NOTICES**

The Company's Financial Statements for the periods ended September 30, 2018 and 2017 and these accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES"

in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading “RISKS AND UNCERTAINTIES” and to those that may be discussed as part of particular forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.